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SENATE JOINT RESOLUTION 599
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A RESOLUTION to create a special joint committee to perform a comprehensive analysis of predatory lending in Tennessee and to recommend statutory or regulatory changes to provide greater protection to consumers.

WHEREAS, the Tennessee General Assembly finds and declares that all citizens are entitled to fair access to credit and the ability to share in the American dream of home ownership, including those whose financial or other personal circumstances make them vulnerable to predatory lenders who could take advantage of them by making or arranging high-cost loans that borrowers may not be able to repay and by refinancing mortgage loans with added fees that result in the borrower's equity being stripped; and

WHEREAS, the subprime lending market provides loans to many borrowers who have impaired credit, and this lending market performs a significant service to citizens of Tennessee, particularly those in distressed urban areas; and

WHEREAS, legislation and regulation affecting the subprime market should not be overly broad and should restrict only those relatively few lenders who are purposefully engaged

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in patterns and practices of unfair treatment to vulnerable consumers commonly referred to as predatory lending; and

WHEREAS, the legitimate conventional and subprime markets should not be subject to the same restrictions, prohibitions, remedies, and penalties as the high-cost loans which are distinguishable from loans in other markets; and

WHEREAS, the Tennessee General Assembly is concerned that the market competition and self-regulation have not sufficiently protected citizens of Tennessee from predatory lenders and abusive home loan practices; and

WHEREAS, many other states and local jurisdictions have passed or are considering more stringent protections against predatory lending and other abusive practices; and

WHEREAS, the federal government, through several agencies, is considering changes to its statutory protections and regulatory provisions in order to provide greater protections to borrowers, but these changes are neither certain nor timely; and

WHEREAS, it is clearly in the interests of the citizens of Tennessee to have public policy on home lending informed by full and complete information and analysis; now, therefore,

BE IT RESOLVED BY THE SENATE OF THE ONE HUNDRED SECOND GENERAL ASSEMBLY OF THE STATE OF TENNESSEE, THE HOUSE OF REPRESENTATIVES CONCURRING, That there is hereby created a special joint committee to perform a comprehensive analysis of predatory lending in Tennessee.

BE IT FURTHER RESOLVED, That the special joint committee shall study the current legislative and regulatory provisions and protections which are applicable to home loans and to those who offer home loans.

BE IF FURTHER RESOLVED, That the special joint committee shall also study the need for better protections to prevent abusive or predatory practices such as excessive interest rates unrelated to risk or excessive fees unrelated to services rendered; making home loans without due regard to the borrower's ability to repay; "flipping" or refinancing a home loan without

significant tangible benefit to the borrower but including excessive fees; mandatory single-premium credit life insurance; "balloon" payments designed to force unfavorable refinancing or default; abuse of home improvement loans; and other practices.

BE IT FURTHER RESOLVED, That the special joint committee shall consist of three (3) members of the House of Representatives and three (3) members of the Senate, to be appointed by the respective speakers. The speakers shall seek to appoint members who have demonstrated interest in the issue and who will serve actively.

BE IT FURTHER RESOLVED, That all appropriate state departments and agencies shall provide assistance to the special joint committee upon request of the chair.

BE IT FURTHER RESOLVED, That the Tennessee Bankers Association, the Tennessee Mortgage Bankers Association, the Tennessee Mortgage Brokers Association, the Tennessee Consumer Finance Association, and other interested and affected professional groups and associations be asked to provide information, analyses, and recommendations to the special joint committee.

BE IT FURTHER RESOLVED, That groups advancing for greater protection of consumers be asked to provide information, analyses, and recommendations to the special joint committee.

BE IT FURTHER RESOLVED, That the special joint committee shall hold hearings, if practical, in the three Grand Divisions of the state to seek testimony from persons who have been harmed by predatory lending practices or who have direct knowledge about such practices and from those who have helped others or been helped by subprime loans.

BE IT FURTHER RESOLVED, That all legislative members of the special joint committee who are duly elected members of the General Assembly shall remain members of such committee until the committee reports its findings and recommendations to the General Assembly.

BE IT FURTHER RESOLVED, That the special joint committee shall be convened by the member of the committee with the most years of continuous service in the General Assembly; and at its first meeting of the year shall elect a chair, vice-chair, and such other officers the committee deems necessary.

BE IT FURTHER RESOLVED, That the committee shall timely report its findings and recommendations, including any proposed legislation or interim reports, to the One Hundred Third General Assembly no later than February 28, 2003, at which time the committee shall cease to exist.